

Local Distributions

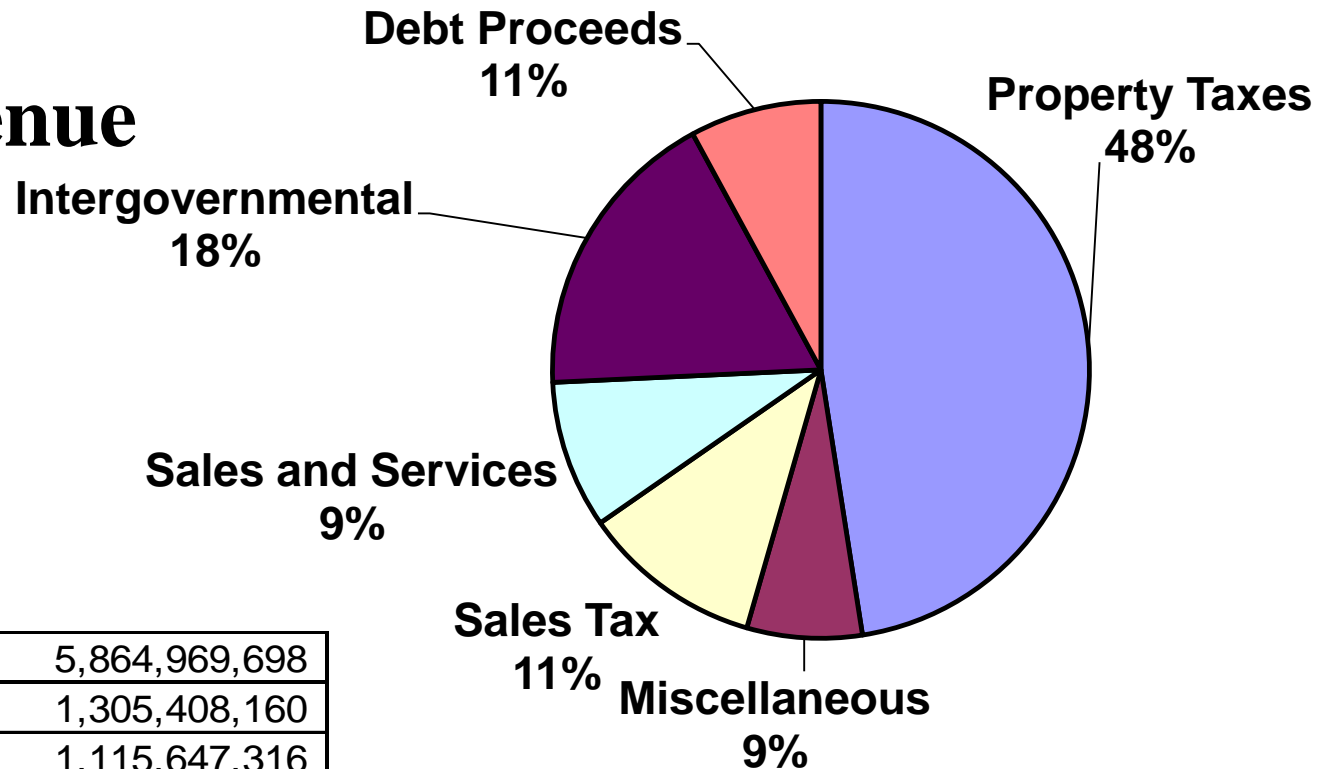
Heather Fennell

Revenue Laws

November 12, 2013

Sources of Local Revenue: County

2011-12 County Revenue by Source

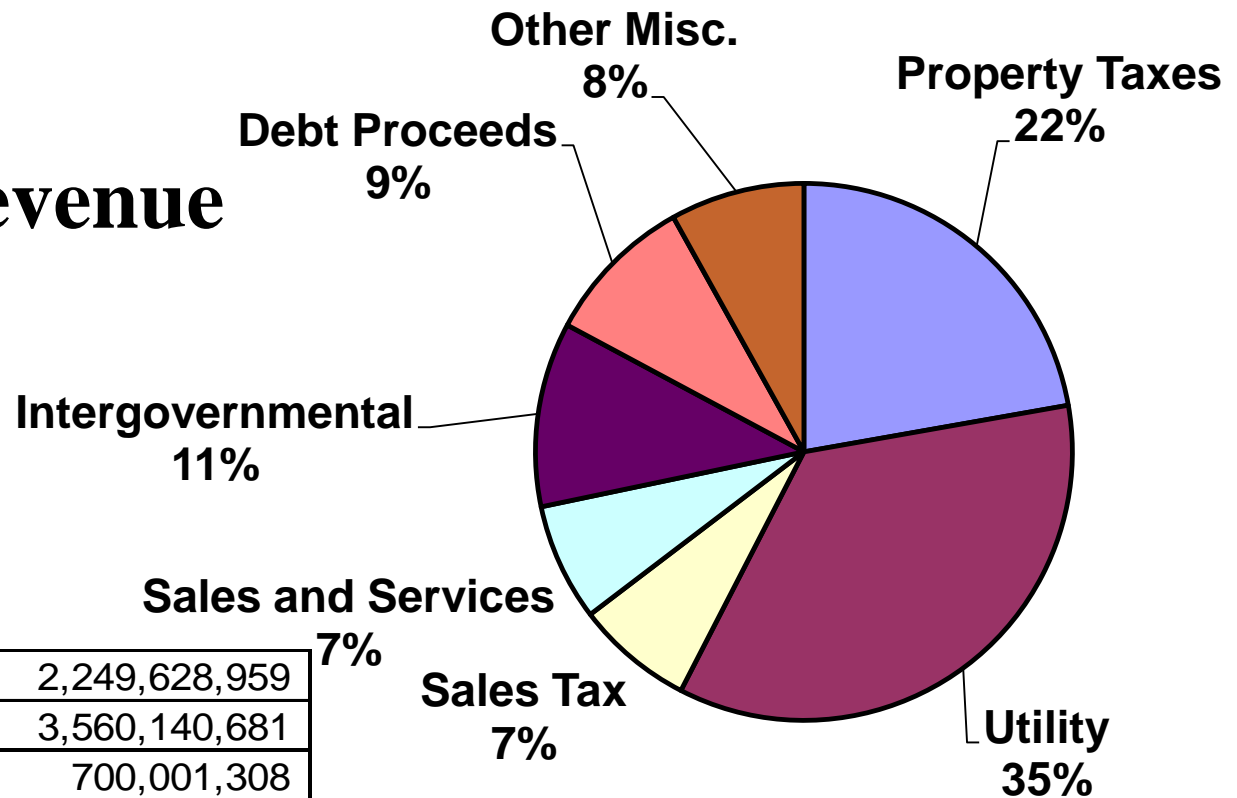


Property Taxes	5,864,969,698
Sales Tax	1,305,408,160
Sales and Services	1,115,647,316
Intergovernmental	2,167,017,275
Debt Proceeds	1,035,050,772
Other Misc.	850,579,212
TOTAL	12,338,672,433

Source: Dept. of State Treasurer

Sources of Local Revenue: Municipal

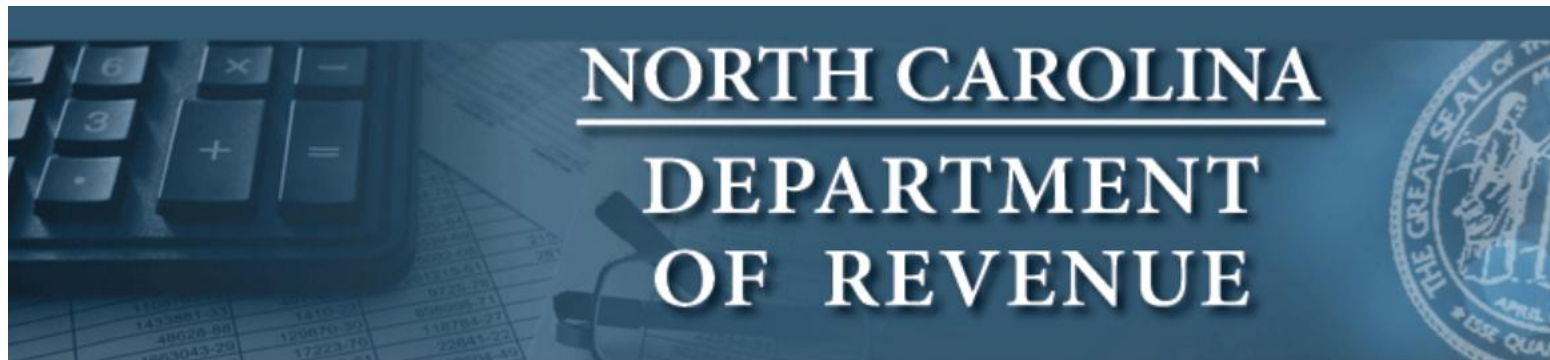
2011-12 Municipal Revenue by Source



Property Taxes	2,249,628,959
Utility	3,560,140,681
Sales Tax	700,001,308
Sales and Services	763,142,281
Intergovernmental	1,161,441,559
Debt Proceeds	935,826,858
Other Misc.	835,505,604
TOTAL	10,205,687,250

Source: Dept. of State Treasurer

Department of Revenue Reports

The banner features a dark blue background with a close-up of a calculator and a tax form on the left. The text "NORTH CAROLINA DEPARTMENT OF REVENUE" is centered in a white, serif font. On the right is the Great Seal of the State of North Carolina.

**NORTH CAROLINA
DEPARTMENT
OF REVENUE**

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Local Government Distributions

Certification of Amounts Disbursed During the Twelve-Month Period Ending June 30

2013 [pdf](#) [excel](#)

TAX INFO

- Individuals
- Businesses
- Tax Profession
- Local Governn

Types of Local Distributions

- State collected local revenue:
 - Sales tax
 - Food tax
- Distributions for repeal of tax:
 - Transitional hold harmless
 - Medicaid hold harmless
- State and local shared revenue:
 - Utility Taxes:
 - Telecom
 - Video programming
 - Electricity
 - Piped natural gas
 - Beer and Wine

Other State and Local Shared Revenues

- Restricted use – Powell Bill Funds.
- Refunds of sales tax and motor fuels tax.
- Taxes for specific localities – transit taxes and beach nourishment.





State collected local revenue

Sales Tax

Food Tax

Local Sales Tax



Article 39 First 1¢		Any lawful purpose	Point of collection
Article 40 First ½¢		Counties - 30% school capital	Per capita * Adjustment formula
Article 42 Second ½¢		Counties - 60% school capital	Point of collection
Article 46 ¼¢		Any lawful purpose	Point of collection – <i>distributed to County only.</i>

Sales Tax Adjustment Factor

- 1987 - Created to hold counties harmless for new sourcing sales tax changes:
 - Local sales tax loophole -Items delivered in another county were not charged a local sales tax.
 - In lieu of a local sales tax, purchasers were expected to report a use tax.
 - Sale is sourced at retailer regardless of destination.
- 2001 – Sales tax sourced at destination.

Food tax - 2%

- Not included – prepared food and food purchased with food stamps.
- Administered as State tax.
- Distributed as:
 - 1/2 - per capita
 - 1/2 - proportion of 1997-1998 distribution of the tax on food (last year of separate distribution of food tax).

Distributions for repeal of tax

Transitional Hold Harmless





Medicaid Hold Harmless

Transitional Hold Harmless

- Prior to 2002 – State provided local governments with a reimbursement for the repeal of certain revenue.
- 2003 – State allowed new local sales tax plus hold harmless distribution to ensure counties would receive at least the amount of the repealed reimbursement.
- 2012 – Sunset of hold harmless distribution.
- 2013 – One-time appropriation for hold harmless distribution.

Third ½ cent - 2003








First 1¢		Any lawful purpose	Point of collection
First ½¢		Counties - 30% school capital	Per capita
Second ½¢		Counties - 60% school capital	Per capita
Third ½¢		Any lawful purpose	½ Point of collection ½ Per capita

Medicaid Swap - Hold Harmless

- State assumes County share of Medicaid over 3 year period.
- Third $\frac{1}{2}$ cent tax phased out, State rate correspondingly increases.
- Second $\frac{1}{2}$ cent distribution changes from per capita to point of collection.
- Hold harmless provision – each County to benefit by at least \$500,000.
- New $\frac{1}{4}\text{¢}$ county tax authorized.

After the Medicaid Swap



First 1¢		Any lawful purpose	Point of collection
First ½¢		Counties - 30% school capital	Per capita
Second ½¢		Counties - 60% school capital	Per capita Point of collection
Third ½¢		Any lawful purpose	½ Point of collection
Repealed			
¼¢		Any lawful purpose	Point of collection – <i>distributed to County only.</i>

State and local shared revenue

Utility Taxes

Beer and Wine

History of Utility Taxes

	Franchise	Sales	Excise
Pre-1985			
1985			
1998			
2001			
2007			
2014			

Local distribution of Utility Taxes

- Except for video programming, distributed amount of taxes on utilities goes back to proportion of tax cities received under franchise tax
- The amount distributed subject to “freeze” amounts from the early 1990s.

Electricity and Piped Natural Gas

Pre-Tax Reform:

- Electricity – Each city receives 3.09% of the 3.22% franchise tax arising from sales in the city.**
- Piped natural gas – Excise tax per therm. City receives 50% of the proceeds attributable to that city.

Post-Tax Reform

- Electricity – 44% of the sales tax on electricity:
 - Franchise tax share
 - Ad valorem share
- Piped natural gas – 20% of the sales tax on piped natural gas:
 - Excise tax share
 - Ad valorem share

Telecommunications and Video Programming

- Telecommunications:
 - 18.70%** to cities.
 - 7.7% to counties and cities, distributed as video programming.
- Video programming:
 - 23.6% of taxes collected on video programming other than satellite.
 - 37.1% of taxes collected on video programming from satellite.

Telecommunications & Video Programming

Distributed to:

- \$4 M off the top – supplemental PEG channel support
- Cities and counties, no cable franchise tax – $(\$2 * \text{population}) * \text{percentage change in population}$
- Cities and counties, cable franchise tax – (franchise tax + subscriber fee about in 2006-2007) * percentage change in population

Beer and Wine

- Distributed to local governments where product is sold, on a per capita basis.
 - Beer - 20.47%.
 - Unfortified wine - 49.44%.
 - Fortified wine – 18%.